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Finance: Show Me the Results

By Andrew Rotherham

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In "Harrison Bergeron," Kurt Vonnegut describes a society in which everyone is equal. Athletic people wear weights on their bodies to slow them down, attractive people wear masks, and particularly intelligent people wear devices in their ears that pipe in distracting noise.

By taking notions of societal equality to absurd extremes, Vonnegut reminds us of the limits of such ideals. His reality check applies well to the debate over school finance, reinforcing an important concept: that our goal in school finance is to give every student the resources he or she needs to excel, not to equalize everyone to an arbitrary funding level. We need instead to rationally determine how much a school district needs and work out a plan to deliver that amount. The fact that an affluent district is spending far more than the state mean doesn't necessarily mean that students in other districts are being denied a quality education. The real question is whether lower-spending districts have sufficient revenue to provide a first-class education.

Equitable school funding is a state and local responsibility. In 1973, the Supreme Court took the federal government largely out of the equation, stating in San Antonio Independent School District v. Rodriguez that education "is not among the rights afforded explicit protection under our federal constitution. Nor do we find any basis for saying it is implicitly so protected."

This ruling shifted the legal action to the states, whose constitutions all contain provisions for education. Since local school districts are overwhelmingly dependent on property tax revenue, variations in property wealth put impoverished areas at a tremendous fiscal disadvantage. Impoverished communities often exert a similar or greater tax effort than affluent areas but still raise substantially less money per pupil. To remedy this problem, a "second wave" of school finance litigation, in the quarter century since Rodriguez, has resulted in more than 15 states changing their funding systems.

Much of this litigation aimed to broaden the revenue base for schools. But that is easier in principle than in practice. School finance reform can be either a lever for enhanced student performance or a point of political breakdown. Recent efforts in New Hampshire and Vermont are indicative of the latter, while New Jersey and Wyoming offer more fruitful examples.

In New Hampshire, a deeply rooted hostility to state taxes complicated efforts to overhaul the school funding structure. Any state income tax was a deal killer. In the past, New Hampshire schools were 87 percent dependent on local revenue for operating costs and received only 7 percent from the state. The new system does incorporate a statewide property tax and a variety of other revenue raisers - but no state income tax - to provide a much greater share of spending from the state. But the process was so long and painful-at one point many of the state's teachers were pink-slipped-that it is mostly a reminder of how not to reform school finance.

In Vermont, a practice known as "power equalizing" was adopted. Not only was funding equalized between school districts, but communities raising money above the required statewide rate - referred to as "local share property tax" in Vermont - are required to contribute to a statewide pool for redistribution. While this is a liberal's Walter Mitty fantasy, in reality it creates resentment and undermines support for public schools in many communities. It is not likely to be a tenable solution in the long run.

Two radically different state solutions - in New Jersey and Wyoming - provide good models for state legislators to study. In both, officials studied exactly how much revenue is required to deliver the services they want and structured their financing system accordingly. They relied on a small but growing body of research into how much money is a sufficient "performance baseline."

In New Jersey, school finance litigation has been a fixture in policy debates for 25 years. The state Supreme Court had found that several districts were underfunded. However, in 1998 a review court ruled that impoverished districts received adequate resources to allow children to meet performance standards. They found that the districts had enough money to implement the most expensive "whole school" reform model on the market. Rather than looking at historical data or assumptions about costs, the court looked at what it would cost a school district to provide a challenging and effective curriculum.

In Wyoming, extensive studies determined how much revenue was required to deliver a basket of services that would allow students to meet performance standards. The system was restructured to provide adequate revenue for all districts to meet this goal. Panels of school administrators and principals from districts outside Wyoming with demographics similar to the affected school districts were consulted. Experts who understood the market were asked to determine whether it was possible to reach stated goals with the funding plan. According to an analysis by a respected school finance consulting firm, sufficient resources are now in place.

New Jersey and Wyoming share a common thread. Rather than simply argue about what a reasonable amount of funding is, officials in both states set out to determine it. They set performance goals, ensured that sufficient revenue was in place for students in all school districts to achieve them, and held people accountable for their performance. This sort of approach, championed most notably by Allan Odden of the

University Wisconsin, holds great promise for resolving some of the thornier issues of school finance and building a more constructive dialogue about standards and accountability.

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